DESCRIPTION OF H.R. 81:
DESIGNATION OF OVERPAYMENTS ON TAX RETURN FOR THE HUNGER EMERGENCY ASSISTANCE AND RELIEF TRUST

Scheduled for a Joint Hearing

Before the

SUBCOMMITTEE ON SELECT REVENUE MEASURES

COMMITTEE ON WAYS AND MEANS

and the

SELECT COMMITTEE ON HUNGER

on August 4, 1988

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

August 3, 1988

JCX-21-88

J862-32
H962-8
H782-27

INTRODUCTION

This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a description of the provisions of H.R. 81 (the Hunger Emergency Assistance and Relief Trust Act). A joint hearing is scheduled on the bill on August 4, 1988, before the Subcommittee on Select Revenue Measures of the House Committee on Ways and Means and the House Select Committee on Hunger.

H.R. 81 would amend the Internal Revenue Code to allow taxpayers to designate on their Federal income tax return part or all of tax overpayments (refunds) as a contribution to a trust fund (Hunger Emergency Assistance and Relief Trust) established by the bill for the relief of domestic and international hunger. The Secretary of the Treasury would disburse amounts authorized by the Hunger Commission (established by the bill) from the Trust to qualified hunger relief services organizations. The Commission would be required to submit annual reports to the Congress.

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[1] This document may be cited as follows: Joint Committee on Taxation, Description of H.R. 81: Designation of Overpayments on Tax Return for the Hunger Emergency Assistance and Relief Trust (JCX-21-88), August 3, 1988.

DESCRIPTION OF H.R. 81[2]

Designation of Overpayments on Tax Return for the Hunger Emergency Assistance and Relief Trust

Present Law

Under present law, individual taxpayers may elect to allocate $1 ($2 on a joint return) of their tax liability to the Presidential Election Campaign Fund, a fund established to provide financing to the campaigns of presidential and vice-presidential candidates (Code sec. 6096). An election to make an allocation to the fund neither increases nor decreases the taxpayer's liability, but merely determines whether the allocated amount will be used by the Federal Government for Presidential campaign financing.

No other provisions of Federal tax law permit taxpayers to designate for what purpose the amount of tax owed is to be used by the Government. Present law does not permit taxpayers to make contributions for charitable or other purposes through designations on their Federal income tax return.

The Commissioner of Internal Revenue, in the instructions to Form 1040, has encouraged taxpayers to include with their tax return voluntary contributions to reduce the public debt. Taxpayers wishing to do so must enclose a separate check (as a tax-deductible contribution), payable to the Bureau of Public Debt.

Explanation of the Bill

Designation of income tax refunds for Hunger Emergency Assistance and Relief Trust

Under the bill, persons (including individuals, corporations, estates, and trusts) entitled to an income tax refund could designate part or all of the refund as a contribution to the Hunger Emergency Assistance and Relief Trust, a trust fund that would be established by the bill within the United States Treasury. The designation would not increase or decrease the taxpayer's tax liability for the year covered by the return.

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[2] H.R. 81 was introduced on January 6, 1987, by Representative Carr.

Disposition of amounts in Trust

The Secretary of the Treasury would disburse amounts authorized by the Hunger Commission, a commission that would be established by the bill, from the Trust to qualified hunger relief services organizations.

A qualified hunger relief services organization would be defined as any tax-exempt, charitable organization recognized under State law which has as its principal purpose the relief of hunger; has been in existence for at least two years; uses not more than 22 percent of its annual budget for administrative costs; has developed, and is able to implement, a hunger relief plan;[3] and satisfies certain other requirements of the Hunger Commission. All qualified organizations that receive amounts from the Trust must make a matching contribution to the hunger relief plan.

Qualified organizations which receive funds from the Trust would be prohibited from engaging in certain acts, including (1) failing to make a matching contribution to the hunger relief plan, (2) failing to properly use the amount paid and the matching contribution in connection with the hunger relief plan, (3) using more than 10 percent of the amount paid or more than 10 percent of the matching contribution for administrative expenses, or (4) failing to comply with certain Hunger Commission requests.

Establishment and powers of Hunger Commission

Under the bill, a Hunger Commission would be established, consisting of four members to be appointed (on a bipartisan basis) by the President and a fifth member to be appointed by the Presidential appointees as the Chair of the Commission. The Commission would direct the Secretary of the Treasury to pay from the Trust to any qualified hunger relief services organization up to $100,000 per year for the purpose of providing hunger relief services under a hunger relief plan.

The Commission must authorize the payment of funds within 180 days after such funds are received by the Trust. In addition, at least 50 percent of the amounts received by the Trust are to be paid to qualified organizations to provide hunger relief services in the United States. The Commission would be required to submit annual reports to the Congress.

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[3] A hunger relief plan is a plan for the amelioration or alleviation of actual or threatened starvation or severe malnutrition of individuals.

The Commission would be empowered to hold hearings, conduct audits, obtain official data,[4] and issue subpoenas for the purpose of performing its duties. If the Commission determines that an organization receiving a payment from the Trust has engaged in any prohibited acts, the organization would be required to pay the amount involved to the Secretary of the Treasury to be redeposited in the Trust.

In addition, the Commission could direct the Secretary to deny the organization tax exemption for taxable years after the taxable year during which the prohibited act occurred.

The bill would authorize appropriations up to $150,000 per fiscal year for administrative and staff expenses of the Commission.

Effective Dates[5]

The designation of contributions to the Trust would be effective for returns filed for taxable years beginning after December 31, 1986. The Trust would be established with respect to amounts received after December 31, 1986. The provisions providing for the distribution of hunger relief funds would take effect on January 1, 1987.

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[4] The Commission could obtain information directly from the Internal Revenue Service as to whether an organization is tax exempt under section 501(c)(3) of the Code.

[5] These dates are as included in the bill as introduced. It is intended by the sponsor that these effective dates would be moved forward on enactment of the bill.